

**IN THE MATTER OF THE APPLICATION REGARDING CONVERSION  
OF PREMIERA BLUE CROSS AND ITS AFFILIATES**

Washington State Insurance Commissioner's Docket # G02-45

**PRE-FILED DIRECT TESTIMONY OF:**

**Richard A. Furniss**  
Towers Perrin

March 31, 2004

CONFIDENTIAL and PROPRIETARY  
NOT FOR PUBLIC DISCLOSURE

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**I. INTRODUCTION**

**Q. Please state your name .**

A. My name is Richard A. Furniss.

**Q. Please state your position and business address.**

A. I am a principal at company called Towers Perrin. I specialize in executive compensation. I work at Towers Perrin's New York City office, 335 Madison Avenue, New York City, N.Y. 10017.

**II. SUMMARY OF TESTIMONY**

**Q. Please provide us with an overview of your expert testimony.**

A. There are five principal points made in my testimony:

1. Premera's current executive compensation programs are reasonable and appropriate. The Compensation Committee of the Board has done a good job of making independent judgments about compensation needs. It properly makes use of a nationally recognized compensation consultant, Mercer Human Resource Consulting Inc. ("Mercer Consulting"), to assist it in making an independent determination of the proper compensation levels for Premera's executives.

2. There is every reason to conclude that Premera's post-conversion compensation for its executives will be reasonable and appropriate. Premera will continue to have an independent Compensation Committee that utilizes a compensation consultant to help provide the Committee with the information it needs to make an independent evaluation of compensation.

3. Premera also has provided Compensation Assurances as part of its Amended Form A. These Compensation Assurances should provide additional comfort that Premera's post-conversion compensation will be appropriate.

4. Premera's proposed post-conversion stock grants to executives will align the interests of management with those of shareholders, without unjustly enriching management. The equity incentive plan is competitive but very conservative. Additional restrictions on the stock program would not be appropriate.

5. Finally, there are significant restrictions on the use of stock options under Premera's Amended Form A that will ensure that any stock option grants are at no more than reasonable and competitive levels. In fact, there is a one-year blackout period before any stock options can be awarded to Premera's executives. If the executives eventually obtain any reward through those options, it will be because they have managed the company in a manner that adds value for the shareholders.

### **III. PROFESSIONAL QUALIFICATIONS**

**Q. Tell us about the work that your firm, Towers Perrin, does.**

A. Towers Perrin is an international firm of management consultants and actuaries. We assist client companies in evaluating, designing, communicating and administering human resources programs, including direct compensation, benefits, and retirement programs. Our staff comprises over 8,000 in about 78 offices worldwide.

**Q. Please describe your education and qualifications.**

A. I received a Bachelor of Science in Mechanical Engineering from the University of Pennsylvania in 1960. I then obtained an M.B.A. from The Wharton School of the University of Pennsylvania in 1962.

1 I hold the position of Principal with Towers Perrin. I have been with Towers  
2 Perrin since 1978. Prior to joining that firm, I worked for about 11 years with William E.  
3 Hill & Company, which was a general management consulting firm.

4 I direct my firm's executive compensation practice for the insurance industry.  
5 I've worked on executive compensation issues for a wide range of insurance companies,  
6 including assignments to assess and review the executive compensation programs for  
7 several profit and non-profit health insurance companies.

8 **Q. Have you had occasion to consult about executive compensation issues for**  
9 **companies that were converting to public ownership?**

10 A. I have. I was involved in the demutualizations of several companies -- Guarantee  
11 Mutual Association, Phoenix Life Group, MONY Group and Metropolitan Life.

12 **Q. Have you provided us with a current resume?**

13 A. Yes. A true and correct copy of my resume is attached hereto as **Exhibit A** and  
14 incorporated herein by reference; it will be marked as a Premera Hearing Exhibit. It  
15 discusses both my work on health insurance matters and the other types of assignments  
16 that I've had during my career.

17 **IV. ASSIGNMENT IN THIS CASE AND EXPERT REPORTS**

18 **Q. What were you asked to do in this case?**

19 A. PREMERA and Premera Blue Cross and certain of their affiliates ("Premera")  
20 asked me and my associates at Towers Perrin to do three things. The first was to conduct  
21 an independent analysis of Premera's current executive compensation program and  
22 practices, including an assessment of the work performed by Premera's compensation  
23 consultant, Mercer Consulting.  
24

1 Second, we were asked to evaluate the proposed equity plan that would be  
2 available to Premera's executives if and when the conversion goes forward.

3 Finally, we were asked to review and comment on the analysis of executive  
4 compensation issues done by the OIC Staff's consultant, Mr. Donald Nemerov of  
5 PricewaterhouseCoopers LLP ("PwC"), on the three reports that PwC filed regarding  
6 executive compensation issues, and on any other pre-filed testimony that discusses  
7 executive compensation issues. Because my testimony on this third area is in the nature  
8 of responsive testimony, my review and comments on that pre-filed testimony and those  
9 reports will be found in my Pre-filed Responsive Testimony.

10 **Q. Have you submitted expert reports for this proceeding?**

11 A. Yes. The Towers Perrin report, entitled "Review of Premera's Executive  
12 Compensation Program," is dated November 7, 2003. I made a few corrections to the  
13 Appendix of that report, which I identified in my deposition. I then submitted a copy of  
14 additional corrections to the Appendix as an attachment to the corrections page for my  
15 deposition. A complete and accurate copy of the Towers Perrin Report, with those  
16 corrections made (hereinafter, the "Towers Perrin Report"), will be marked as a Premera  
17 Hearing Exhibit.

18 I also submitted a Supplemental Report dated March 5, 2004. A complete and  
19 accurate copy of that supplemental report (the "Towers Perrin Supplemental Report")  
20 will be marked as a Premera Hearing Exhibit.

21 I incorporate both the Towers Perrin Report and the Towers Perrin Supplemental  
22 Report into my Pre-filed Direct Testimony by this reference.

23

24

**V. DETAILED TESTIMONY**

**A. Premera's Current Executive Compensation Program**

**Q. Please tell us the key points in your analysis of Premera's current executive compensation program and practices.**

A. We assessed Premera's executive compensation program and practices from a number of perspectives. We determined: (1) the reasonableness and appropriateness of Premera's compensation philosophy; (2) the involvement of the Premera Board of Directors (the "Board") in executive compensation decisions; (3) the relationship between Premera and its compensation consultant, Mercer Consulting; and (4) the reasonableness and appropriateness of current executive compensation levels.

**Q. Why did you analyze Premera's executive compensation program and practices from those four perspectives?**

A. We consider these four issues -- philosophy, design, administration and compensation levels -- to be critical aspects of a sound business practice for any company regarding how it compensates its executives.

**Q. What conclusion did you reach about Premera's current compensation program and practices?**

A. In my opinion, Premera's compensation program and practices are reasonable and appropriate in philosophy, design, administration, and compensation levels.

**1. Premera's Compensation Philosophy**

**Q. What is Premera's compensation philosophy?**

A. Premera's executive compensation philosophy has been articulated by the Compensation Committee of the Board of Directors (formerly, the Governance Committee). The key elements of that philosophy include the following:

- Compensation will be set at the median of Premera's peer group for achieving target results, except in extraordinary cases where particular individual skill, talent or experience is needed and demonstrated, requiring above-median compensation.
- Market compensation for individual positions will be determined in light of actual management responsibilities, not just industry job definitions.
- Premera's peer group includes for-profit and not-for-profit -- whether publicly or privately held -- health insurers. This is because Premera recruits from, and can lose talent to, companies throughout the health insurance industry.

**Q. What are the consequences of Premera's compensation philosophy?**

A. Performance objectives are set at rigorous but achievable levels, based on financial measures that reflect Premera's financial health; strategic measures related to continuing future financial soundness; and measures that reflect Premera's market and operational objectives such as service and quality.

**Q. What do you conclude about Premera's executive compensation philosophy?**

A. Premera's executive compensation philosophy is conservative and reasonable for a company in its industry. That philosophy has guided the design, implementation and administration of the compensation program in the past and will be appropriate for its post-conversion operation.

**2. Involvement of the Board of Directors and its Compensation Committee**

**Q. How are the Premera Board and its Compensation Committee involved in executive compensation?**

A. Premera's Compensation Committee (and, in certain matters, the entire Board) is actively involved in the design, review and administration of Premera's compensation program. This involvement includes setting performance objectives, monitoring



1 compensation levels vs. market practices, determining the reference market and  
2 reviewing (and, if applicable, approving) compensation levels as required.

3 **Q. How does the Compensation Committee help ensure the independence of its**  
4 **determination of what the level of compensation for its executives should be?**

5 A. The Compensation Committee meets in executive session to review and approve  
6 incentive awards and other aspects of compensation. By meeting in executive session  
7 (without management being present), the Committee is able to have free and frank  
8 discussions of compensation issues and to make decisions independent of management.

9 The Compensation Committee also has direct and frequent access to Premera's  
10 compensation consultant, Mercer Consulting, including meeting with Mercer's  
11 representative in executive session without management being present. This means that  
12 the Compensation Committee has the technical resources to permit it to properly evaluate  
13 the market in which Premera competes for executives and to determine the level of the  
14 company's executive compensation programs appropriately.

15 It is also noteworthy that the Premera Board generally has followed many of the  
16 practices and principles established by the Sarbanes-Oxley Act, although as a not-for-  
17 profit company Premera is not required to do so. This demonstrates the Board's  
18 awareness that it must be independent of management in making the decisions about  
19 executive compensation.

20 **Q. Does the Board have a positive impact on Premera's compensation program?**

21 A. It does. The diverse background of the individual directors, the active  
22 commitment of each director, and the overall impact of the Board on Premera's  
23 compensation program -- all appear to be highly positive. Based on our interviews and  
24 study of the written material provided to us, it appears that the Board and the

1 Compensation Committee exercise a degree of oversight that is consistent with best  
2 practices and with the trend towards active and independent governance practices among  
3 U.S. corporations.

4 **3. Assessment of Mercer Consulting**

5 **Q. Did you assess the work of Premera's compensation consultant, Mercer**  
6 **Consulting?**

7 A. Yes. I reviewed Mercer's reports to the Compensation Committee. We also  
8 conducted our own analyses of competitive compensation levels for selected positions.  
9 As shown in the Appendix to the Towers Perrin Report, our results are not substantially  
10 different from those of Mercer Consulting, although variations occur because of different  
11 survey data and slightly different techniques that each of our firms uses.

12 **Q. Did Towers Perrin conduct an independent review of the process used by**  
13 **Mercer Consulting to develop its recommendations?**

14 A. It did. Based upon our independent review of the process that Mercer Consulting  
15 used to determine benchmark positions with which to compare Premera's officers, I  
16 believe that Mercer Consulting has acted properly in developing its recommendations to  
17 the Compensation Committee and to the Board. Mercer Consulting incorporated factors  
18 such as the incumbents' roles and responsibilities and the current strategic priorities of  
19 Premera, along with the skill, talent and responsibility demands needed to achieve the  
20 strategy. Mercer Consulting also developed a peer group reflecting the local and national  
21 competitive market for talent in the healthcare insurer industry, which I believe is the  
22 appropriate peer group for Premera to use. Further, I believe that the pay strategy and  
23 performance measures that Mercer Consulting has helped develop have evolved  
24

1 appropriately with Premera's financial situation, which has moved in recent years from  
2 fiscal distress, to turnaround, to financial stability.

3 **Q. What is your opinion regarding the relationship between Mercer Consulting  
4 and Premera?**

5 A. My overall assessment of the consulting relationship, derived from interviews  
6 with Mercer Consulting and with Premera management and directors, plus a review of  
7 Mercer Consulting's reports and letters, is that the relationship is a healthy one. It is  
8 characterized by an active, direct and informed dialog between Mercer Consulting and  
9 the Board. Mercer is retained by the Board and reports directly to the Compensation  
10 Committee and the Board.

11 **4. Reasonableness and appropriateness of Premera's  
12 current executive compensation program**

13 **Q. I'd like to turn to the specifics of Premera's current executive compensation  
14 program. What is your opinion regarding the forms of compensation that  
15 Premera offers?**

16 A: In my opinion, Premera's direct compensation programs are in the mainstream of  
17 those provided by Premera's peers. In general, the direct compensation programs are  
18 designed and administered to deliver compensation that is at the market median. To the  
19 extent that specific provisions of these plans have some less common features, they are  
20 offset by other features to ensure that target pay levels are appropriate. The Towers  
21 Perrin Report describes the details of these plans and explains how they work together.

22 **Q. What is your opinion regarding the amount of compensation received by  
23 Premera's executives?**

24 A. As the Towers Perrin Report explains, it is important to benchmark the  
compensation received by Premera's executives in light of their management  
responsibilities, which may not be fully captured by job titles. We performed that

1 analysis and determined that the target total direct compensation of Premera's top five  
2 executives was within 3% of the market median. In my opinion, Premera's current target  
3 executive compensation levels are reasonable. I would like to note that actual  
4 compensation received by Premera's top five executives was also within the range of  
5 market median.

6 **Q. Can you comment generally on the roles and responsibilities of the Executive**  
7 **Vice Presidents at Premera and how Premera's compensation approach**  
8 **applies to them in particular circumstances?**

9 A. Yes. When Mr. Barlow, who had himself been the Chief Operating Officer  
10 ("COO") of Premera, succeeded to the position of CEO, he decided that, rather than  
11 hiring a new COO, he would implement a structure whereby he and the Executive Vice  
12 Presidents share the responsibilities typically performed by a COO. Accordingly,  
13 Premera's compensation to executives should also take into account their actual  
14 responsibilities, not just their job titles, as PwC appears to have done. It should also take  
15 into account their specific expertise and the needs of the company.

16 For example, I believe that Premera's decision to go "above median" to obtain the  
17 services of Mr. Andrew Wang, who was Premera's Chief Actuary until his recent  
18 retirement, was completely justified. He had extraordinary skills and extraordinary  
19 responsibilities. He was a very well-respected actuary in the health insurance industry.  
20 In addition to being the chief actuary, his job responsibilities included having primary  
21 responsibility for the development and implementation of the "B&ST" -- Business and  
22 Systems Transformation -- initiative. This was a major initiative that at its peak had, I  
23 understand, over 230 employees, from all areas of the company, dedicated full time to  
24 complete an overhaul of Premera's computer systems, products, processes and network

1 structure. The B&ST project culminated in the selection, acquisition, configuration and  
2 implementation of Premera's new Facets computer systems as well as the design of its  
3 Dimensions product, which I understand is the cornerstone of Premera's business  
4 strategy. In other words, Mr. Wang, who was recruited from a public company, had the  
5 talent and skills to perform a crucial role for the company and was paid appropriately.

6 Mr. Milo, who performs a variety of important executive functions, provides  
7 another example of how it is appropriate to look at actual responsibilities rather than  
8 simply benchmarking against a job title. In addition to being the chief legal officer for  
9 Premera, his duties include oversight of Human Resources, Communications (which  
10 includes internal and external communications as well as the company's corporate giving  
11 and community activities programs), Legislative & Congressional Affairs (including the  
12 company's public policy function), Corporate Compliance (which includes the privacy  
13 function as well as corporate policy development and implementation), the Business  
14 Continuity and Disaster Recovery Program and Legal & Regulatory Affairs. I am  
15 advised that the officers who report to Mr. Milo include the Senior Vice President for  
16 Human Resources, the Vice President for Compliance, the Vice President for  
17 Communications, the Senior Vice President for Congressional and Legislative Affairs  
18 and the General Counsel, as well as the staff for the Business Continuity and Disaster  
19 Recovery program.

20 As I stated earlier, Premera does not have a COO and the Executive Vice  
21 Presidents share many of the responsibilities traditionally performed by a COO. When I  
22 evaluated Mr. Milo's actual job responsibilities, I concluded that his expanded role  
23 should be characterized as a Chief Administrative Officer. When we compared Mr.  
24

1 Milo's target total direct compensation to the median level of compensation in the health  
2 insurance industry for a Chief Administrative Officer, we found that his pay was actually  
3 4% below the median for that position.

4 **B. Premera's Post-Conversion Equity Compensation Plan**

5 **Q. I'd like to turn now to the equity and other compensation that Premera**  
6 **proposes to pay after converting to a for-profit entity. What is your**  
7 **conclusion regarding post-conversion compensation?**

8 A. The proposals and commitments Premera has made are in the mainstream of  
9 competitive practice at an IPO. They are neither unreasonable nor generous. The plans  
10 provide the Compensation Committee and the Board with less flexibility than plans of  
11 other companies that recently converted to grant competitive equity-based awards. The  
12 proposed grants will align the interests of management with those of shareholders, but are  
13 conservative and protect against concerns about unjustly enriching management.

14 **Q. What have you reviewed regarding post-conversion compensation plans?**

15 A. I've reviewed documentation prepared to date regarding compensation plans post-  
16 conversion and IPO. Among other things, I've examined the Mercer Consulting report of  
17 October 17, 2003 proposing an equity-based compensation strategy. This report was  
18 modified and then adopted by Premera's Board. I have also reviewed a section of Exhibit  
19 E-8 of the Amended Form A entitled "Compensation Assurances" and Exhibit G-10 of  
20 the Amended Form A.

21 **Q. Please summarize your analysis of the equity incentive plan adopted by the**  
22 **Board.**

23 A. The draft equity incentive plan is an "omnibus plan." It is similar to the type  
24 frequently adopted at IPO. The Compensation Committee is authorized to craft and grant  
certain equity-based incentive programs, but the Compensation Committee must do so

1 within the limitations established by the Compensation Assurances and by Exhibit G-10  
2 of the Amended Form A.

3 **Q. Is the omnibus plan approach one that your firm recommends**  
4 **and, if so, why?**

5 A. Towers Perrin generally recommends that an omnibus plan be adopted at the  
6 outset of public ownership, because such a plan usually provides flexibility to tailor  
7 future programs in accordance with changes in strategy, tax and legislative factors,  
8 recruiting needs, and other developments. In Premera's case, there are more restrictions  
9 on the plan than one normally sees. However, the Premera plan still retains some of the  
10 flexibility that the Compensation Committee needs in order for it to be effective in  
11 establishing an appropriate executive compensation program.

12 **Q. How does Premera's post-conversion equity incentive plan compare with**  
13 **competitive practice?**

14 A. I must say that the limitations that Premera now has on its post-conversion equity  
15 incentive plan are very restrictive and impose many more limitations than I normally see.  
16 The restrictions on the plan are more conservative than market practice and they should  
17 not be made even more restrictive. Thus, I would have to say that, with the restrictions,  
18 Premera's equity incentive plan is competitive but very conservative.

19 Although the 7% initial share reserve is consistent with competitive practice, the  
20 additional restrictions on option grants by year and by officer level are more conservative  
21 than we observe in general industry and insurance. For example, the one-year wait  
22 period following IPO before any options can be granted to management is longer than has  
23 been required in most conversions. There are also other restrictions that apply in the  
24

1 second and third years after the conversion . Any additional restrictions would interfere  
2 with an appropriate alignment of shareholder and management interest.

3 **Q. What is your assessment of the provision in the Amended Form A that limits**  
4 **the annual total share grants for the company over the “stock restriction**  
5 **period” of 36 months?**

6 A. It causes me some concern and I don’t believe that any further restrictions should  
7 be imposed. None of the recent Blues conversions contain restrictions as to how many  
8 shares can be granted in any particular year, although all had total authorized shares for  
9 the equity incentive plan. Premera’s limit of no more than 1.67% of shares outstanding  
10 per year is not found in the other stock plans that I have reviewed. Such a restriction is  
11 typically not found because the compensation committee of a company should have the  
12 authority to determine, based on the needs of the company each year, the size and timing  
13 of plan allocations, consistent with its judgment about the most effective way to respond  
14 to the prevailing competitive or economic circumstances.

15 **Q. What about the limitations on specific share grants for Premera’s top five**  
16 **executives over that 36 month period?**

17 A. While it is common to impose a limit on the number of options that can be  
18 granted to any one individual in order to meet the requirements of IRS Section 162(m), it  
19 is highly unusual to impose the specific additional limitations that are found in Premera’s  
20 plan. These additional limitations cause me concern. I think that the Compensation  
21 Committee and the Board should use their informed judgment to determine the  
22 appropriate level of the award to the top five executives.  
23  
24



1 **Q. What are the problems with further restricting share allocations among the**  
2 **top five executives?**

3 A. Such restrictions could hamper succession planning efforts or retention grants to  
4 this group. I say this for two reasons. First, many companies use ownership participation  
5 as a signal and incentive to designated succession candidates. With its restrictions,  
6 Premera would have difficulty in so signaling.

7 Second, Premera needs to have flexibility in its ability to make stock option grants  
8 if its key people are being recruited for leadership positions by its competitors. Those  
9 competitors have the flexibility to give greater awards, whereas Premera would not have  
10 such flexibility.

11 **Q. Please discuss any further details of the proposed equity compensation**  
12 **program that you believe are important for the Commissioner to consider.**

13 A. It should be noted that in adopting stock options, Premera will be utilizing the  
14 most common form of incentive among public companies. Options are generally  
15 acknowledged to be the best device for aligning the interests of management and the  
16 owners of the company. They provide no gain to management unless share price  
17 increases following the grant. In Premera's business, the actions management must take  
18 to achieve share price growth center on those which benefit all constituents. For  
19 example, these actions may include expense control, customer service, competitive  
20 pricing, and sound capital management.

21 The estimated "values" assigned to options are the result of a theoretical formula  
22 that requires a number of assumptions about the future that may or may not come to pass.  
23 Actual value received, if any, by the holder of a stock option depends entirely on the  
24 actual future share price.

1 **Q. Do publicly-owned companies pay their executives more than non-public**  
2 **companies? What does this mean for Premera's constituents?**

3 A. The major difference is in the long-term incentive portion, typically stock-based  
4 incentives. As I stated earlier, while the potential "value" of options may be greater than  
5 the target incentives in non-stock companies, this value is uncertain and only received if  
6 the share price actually increases. This is the way in which stock options and stock  
7 ownership encourage management to manage the company effectively.

8 **VI. CONCLUSION**

9 **Q. What are the general conclusions you have about Premera's current**  
10 **executive compensation programs and practices?**

11 A. The current executive compensation programs are reasonable and appropriate.  
12 Premera's Compensation Committee has done a good job of making independent  
13 judgments about compensation needs. Its use of a nationally recognized compensation  
14 consultant is consistent with best practices and assures that the Compensation Committee  
15 has appropriate information about the range of compensation in peer group companies.

16 **Q. What general conclusions do you have about Premera's post-conversion**  
17 **compensation plan?**

18 A. I have every reason to conclude that Premera's post-conversion compensation for  
19 its executives will be reasonable and appropriate. It will continue to have an independent  
20 Compensation Committee. Indeed, Premera has offered the assurance that the  
21 Foundations' nominee to the Premera Board will serve on the Compensation Committee  
22 for the first three years. The Compensation Assurances also require that Premera use an  
23 appropriate peer group regarding compensation. Also, as a public company,  
24 compensation paid to the top five executives, the design of the incentive program, and the

1 reasoning of the Compensation Committee's award to the CEO will be publicly disclosed  
2 as part of Premera's SEC filings.

3 Finally, there are significant restrictions on the use of stock options that will  
4 ensure that any stock option grants are at reasonable and competitive levels. If the  
5 executives obtain any payment under those options, it will be because they have earned  
6 the payment by adding value for the shareholders.

7 . . . . .

8 **Q. Does this conclude your pre-filed direct testimony?**

9 **A.** It does.

**VERIFICATION**

I, RICHARD A. FURNISS, declare under penalty of perjury of the laws of the  
State of Washington that the foregoing answers are true and correct.

Executed this \_\_\_\_ day of March, 2004, at New York City, New York.

\_\_\_\_\_  
/s/  
RICHARD A. FURNISS

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**Richard A. Furniss**

PRESTON GATES & ELLIS LLP

Mr. Furniss is a Principal of Towers Perrin specializing in executive compensation, and directs the firm's executive compensation practice for the insurance industry. He has worked with mutual and stock companies, as well as subsidiaries in the property/casualty, life, health, and financial guarantee businesses. His consulting practice focuses on annual and long-term incentives--both at the corporate level and for specific functions--and also includes non-insurance subsidiaries. He has assisted several companies in various aspects of converting to public ownership. He works with senior management, human resources executives, and boards of directors.

Mr. Furniss has also conducted assignments throughout the financial services industry, including mutual fund and institutional investment managers, venture capital firms, and the internal investment organizations of banks, insurance companies, pension plan sponsors, and foundations.

His consulting experience includes assisting U.S. and international clients in the development and implementation of incentive compensation programs, formulation of corporate and business strategies, evaluation of acquisitions, determination of internal performance measures reflecting shareholder value, market analysis and strategy, organization planning, and other areas of profit improvement.

Mr. Furniss has made presentations to industry groups and has published articles in various industry-oriented publications including *Best's Review* and *Emphasis*.

Mr. Furniss joined Towers Perrin in 1978. Before joining Towers Perrin, Mr. Furniss was with William E. Hill & Company, a general management consulting firm, for 11 years.

Mr. Furniss received a B.S. in mechanical engineering from the University of Pennsylvania, and a M.B.A. from The Wharton School of the University of Pennsylvania.

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Exhibit A